

**MARTIN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008



Vredeveld Haefner LLC

MARTIN TOWNSHIP

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INDEPENDENT AUDITORS' REPORT

December 1, 2008

Members of the Township Board
Martin Township
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin Township, Allegan County, Michigan (The Township), as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Martin Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Martin Township as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin Township's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vredeveld Haefner LLC

Management's Discussion and Analysis

As management of Martin Township, we offer readers of the Martin Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The commercial building purchased across the street from the Township Hall in fiscal year 2007 was completely renovated during the current fiscal year for use as the Township Library.
- A property across the street from the Township Hall and next to the new Township Library was purchased during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on debt).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government administration, public safety, public works including road maintenance and recreation and culture activities. The Township does not have any business-type activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all governmental funds.

The Township adopts an annual appropriated budget for its general fund and all special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental activities in the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information is limited to this management discussion and analysis.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$1,743,099 at the close of the most recent fiscal year.

A significant portion of the Township's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| | Governmental Activities | |
|--|--------------------------------|--------------------|
| | <u>2007</u> | <u>2008</u> |
| Current and other assets | \$ 617,303 | \$ 708,606 |
| Capital assets | 1,535,359 | 1,657,702 |
| Total assets | 2,152,662 | 2,366,308 |
| Accounts payable | 20,720 | 4,605 |
| Other liabilities | 388,843 | 435,720 |
| Total liabilities | 409,563 | 440,325 |
| Net assets | | |
| Invested in capital assets, net of related debt | 1,535,359 | 1,657,702 |
| Restricted | (149,077) | 50,396 |
| Unrestricted | 356,817 | 217,885 |
| Total net assets | \$1,743,099 | \$1,925,983 |

Net assets of the Township increased by \$178,680. The governmental activities increase in net assets is primarily due to a combination of both lower road fund investments in capital assets and renovations to the library which were capitalized. The renovations will be depreciated over their estimated useful lives.

| | Governmental Activities | |
|---------------------------------------|--------------------------------|--------------------|
| | <u>2007</u> | <u>2008</u> |
| Revenue | | |
| Program revenue | | |
| Charges for Services | \$ 115,172 | \$ 84,212 |
| Operating grants and Contributions | 26,720 | 23,107 |
| Capital grants and Contributions | 36,809 | 6,301 |
| | <u>178,701</u> | <u>113,620</u> |
| General revenue | | |
| Property taxes | 355,678 | 361,865 |
| State shared revenue | 148,400 | 148,728 |
| Other | 19,112 | 11,885 |
| Total revenue | 701,891 | 636,098 |
| Expenses | | |
| Legislative | 20,729 | 21,178 |
| General government | 153,793 | 165,435 |
| Public Safety | 155,474 | 154,703 |
| Public works | 151,505 | 60,200 |
| Recreation and culture | 41,710 | 51,698 |
| Total expenses | 523,211 | 453,214 |
| Increase in net assets | 178,680 | 182,884 |
| Net assets-beginning of year | 1,564,419 | 1,743,099 |
| Net assets end of year | \$1,743,099 | \$1,925,983 |

Governmental activities

During the year the Township continued its emphasis in public safety by investing \$154,703 or 34% of governmental activities expenses. Legislative, general government, public works, recreation and culture and interest on long-term debt made up the remaining 66% of governmental activities expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$268,281, an increase of \$60,541 in comparison with the prior year as a result of the significant investments in capital assets.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$182,539. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures and transfers out.

The fund balance of the Township's general fund decreased by \$33,347 during the year. This decrease is primarily a result of a significant purchase of property including a building next to the library and across the street from the Township hall.

The library fund has a total fund balance of \$33,354 which decreased \$105,585 during the year primarily due to renovation of the new library building.

Budgetary Highlights

The most significant differences between the original and final amended budgets were reported in the library fund for the renovation costs associated with the new library building. There were no significant changes from the original to the final budget in the general fund.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$1,657,702 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of library renovations and the purchase of property as noted above.

The Township's Capital Assets (net of depreciation) are summarized as follows:

| | Governmental Activities |
|--|------------------------------------|
| Land | \$ 117,226 |
| Buildings, Equipment and Infrastructure | <u>1,540,476</u> |
| Total | <u>\$1,657,702</u> |

Additional information on the Township of the Township capital assets can be found in Note 4 of this report.

Debt. At the end of the current fiscal year, the Township had no debt outstanding.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2008-09 fiscal year:

- Property taxable values
- Flat state shared revenue
- Inflation on expected expenditures

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk, PO Box 27, Martin Michigan, 49070.

BASIC FINANCIAL STATEMENTS

MARTIN TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2008

| | <u>Primary Government Governmental Activities</u> |
|---|---|
| Assets | |
| Cash and cash equivalents | \$ 660,464 |
| Due from other governments | 48,142 |
| Capital assets, net | |
| Land | 117,226 |
| Buildings, equipment and infrastructure | <u>1,540,476</u> |
| Total assets | <u>2,366,308</u> |
| Liabilities | |
| Accounts payable | 4,605 |
| Unearned revenue | <u>435,720</u> |
| Total liabilities | <u>440,325</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 1,657,702 |
| Restricted for | |
| Cemetery perpetual care | |
| Nonexpendable | 1,460 |
| Expendable | 227 |
| Roads | 42,931 |
| Fire protection | 5,778 |
| Unrestricted | <u>217,885</u> |
| Total net assets | <u>\$ 1,925,983</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue</u> |
|--------------------------------------|-------------------|---------------------------------|---|----------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Primary government | | | | |
| Governmental activities | | | | |
| Legislative | \$ 21,178 | \$ - | \$ - | \$ (21,178) |
| General government | 165,435 | 41,177 | - | (124,258) |
| Public safety | 154,703 | 42,303 | - | (112,400) |
| Public works | 60,200 | - | - | (56,681) |
| Recreation and culture | 51,698 | 732 | 23,107 | (25,077) |
| Total governmental activities | <u>\$ 453,214</u> | <u>\$ 84,212</u> | <u>\$ 23,107</u> | <u>(339,594)</u> |
| General revenues | | | | |
| Property taxes | | | | 61,270 |
| General operating | | | | 232,699 |
| Roads | | | | 67,896 |
| Fire protection | | | | 148,728 |
| State shared revenues | | | | 11,885 |
| Interest earnings | | | | |
| Total general revenues and transfers | | | | <u>522,478</u> |
| Change in net assets | | | | 182,884 |
| Net assets, beginning of year | | | | <u>1,743,099</u> |
| Net assets, end of year | | | | <u>\$ 1,925,983</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2008

| | Special Revenue | | | |
|---|-------------------|---------------------|-------------------|-----------------------------|
| | <u>General</u> | <u>Library Fund</u> | <u>Road Fund</u> | <u>Fire Protection Fund</u> |
| Assets | | | | |
| Cash and cash equivalents | \$ 230,947 | \$ 34,394 | \$ 313,842 | \$ 79,594 |
| Due from other governments | <u>46,642</u> | <u>1,500</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 277,589</u> | <u>\$ 35,894</u> | <u>\$ 313,842</u> | <u>\$ 79,594</u> |
| Liabilities and fund balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 1,875 | \$ 2,540 | \$ - | \$ 190 |
| Deferred revenue | <u>91,183</u> | <u>-</u> | <u>270,911</u> | <u>73,626</u> |
| Total Liabilities | <u>93,058</u> | <u>2,540</u> | <u>270,911</u> | <u>73,816</u> |
| Fund balances | | | | |
| Reserved | | | | |
| Perpetual care | - | - | - | - |
| Unreserved | | | | |
| Designated | 1,992 | - | - | - |
| Undesignated | <u>182,539</u> | <u>33,354</u> | <u>42,931</u> | <u>5,778</u> |
| Total fund balances | <u>184,531</u> | <u>33,354</u> | <u>42,931</u> | <u>5,778</u> |
| Total liabilities and fund balance | <u>\$ 277,589</u> | <u>\$ 35,894</u> | <u>\$ 313,842</u> | <u>\$ 79,594</u> |

The accompanying notes are an integral part of these financial statements.

**Permanent
Fund**

| Cemetery Fund | Total |
|--------------------------|-------------------|
| \$ 1,687 | \$ 660,464 |
| - | 48,142 |
| <u>\$ 1,687</u> | <u>\$ 708,606</u> |

| | |
|------|----------|
| \$ - | \$ 4,605 |
| - | 435,720 |
| - | 440,325 |

| | |
|-----------------|-------------------|
| 1,460 | 1,460 |
| - | 1,992 |
| <u>227</u> | <u>264,829</u> |
| <u>1,687</u> | <u>268,281</u> |
| <u>\$ 1,687</u> | <u>\$ 708,606</u> |

MARTIN TOWNSHIP

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2008

| | |
|---|---------------------|
| Fund balances - total governmental funds | \$ 268,281 |
| Amounts reported for <i>governmental activities</i> in the statement of net assets are different because | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Add - capital assets (net) | <u>1,657,702</u> |
| Net assets of governmental activities | <u>\$ 1,925,983</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

| | | <u>Special Revenue</u> | |
|---|-------------------|------------------------|------------------|
| | <u>General</u> | <u>Library Fund</u> | <u>Road Fund</u> |
| Revenues | | | |
| Property taxes | \$ 61,270 | \$ - | \$ 232,699 |
| Intergovernmental revenues | 148,728 | 2,305 | - |
| Penal fines, fees and service and charges | 46,204 | 17,097 | - |
| Contributions from local units | - | 2,000 | - |
| Interest | 5,890 | 3,611 | 2,326 |
| Miscellaneous | 11,432 | 5,219 | 3,519 |
| Total revenues | <u>273,524</u> | <u>30,232</u> | <u>238,544</u> |
| Expenditures | | | |
| Current | | | |
| Legislative | 21,178 | - | - |
| General government | 233,591 | - | - |
| Public safety | 30,953 | - | - |
| Public works | 247 | - | 34,238 |
| Recreation and culture | 153 | 35,747 | - |
| Capital outlay | - | 118,720 | - |
| Total expenditures | <u>286,122</u> | <u>154,467</u> | <u>34,238</u> |
| Revenues over (under) expenditures | <u>(12,598)</u> | <u>(124,235)</u> | <u>204,306</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | 18,650 | - |
| Transfers out | (20,749) | - | - |
| Total other financing sources (uses) | <u>(20,749)</u> | <u>18,650</u> | <u>-</u> |
| Net changes in fund balances | (33,347) | (105,585) | 204,306 |
| Fund balances (deficit), beginning of year | <u>217,878</u> | <u>138,939</u> | <u>(161,375)</u> |
| Fund balances, end of year | <u>\$ 184,531</u> | <u>\$ 33,354</u> | <u>\$ 42,931</u> |

The accompanying notes are an integral part of these financial statements.

| Permanent Fund | | |
|-----------------------------|----------------------|-------------------|
| Fire Protection Fund | Cemetery Fund | Total |
| \$ 67,896 | \$ - | \$ 361,865 |
| - | - | 151,033 |
| - | - | 63,301 |
| 21,403 | - | 23,403 |
| 4,438 | 58 | 16,323 |
| 3 | - | 20,173 |
| <u>93,740</u> | <u>58</u> | <u>636,098</u> |
| - | - | 21,178 |
| - | - | 233,591 |
| 91,691 | - | 122,644 |
| - | - | 34,485 |
| - | - | 35,900 |
| <u>9,039</u> | <u>-</u> | <u>127,759</u> |
| <u>100,730</u> | <u>-</u> | <u>575,557</u> |
| <u>(6,990)</u> | <u>58</u> | <u>60,541</u> |
| 2,099 | - | 20,749 |
| - | - | (20,749) |
| <u>2,099</u> | <u>-</u> | <u>-</u> |
| (4,891) | 58 | 60,541 |
| <u>10,669</u> | <u>1,629</u> | <u>207,740</u> |
| <u>\$ 5,778</u> | <u>\$ 1,687</u> | <u>\$ 268,281</u> |

MARTIN TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

| | |
|--|------------------|
| Net changes in fund balances - total governmental funds | \$ 60,541 |
|--|------------------|

Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

| | |
|-------------------------------|-----------------|
| Add - capital outlay | 176,664 |
| Deduct - depreciation expense | <u>(54,321)</u> |

| | |
|--|--------------------------|
| Change in net assets of governmental activities | <u>\$ 182,884</u> |
|--|--------------------------|

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

| | Budget Amounts | | Actual Amount | Variance Positive Positive (Negative) |
|--|-------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 60,789 | \$ 60,789 | \$ 61,270 | \$ 481 |
| Intergovernmental revenues | 150,500 | 150,500 | 148,728 | (1,772) |
| Fees and service charges | 55,221 | 55,221 | 46,204 | (9,017) |
| Interest | 2,500 | 2,500 | 5,890 | 3,390 |
| Miscellaneous | 4,650 | 4,650 | 11,432 | 6,782 |
| Total revenues | <u>273,660</u> | <u>273,660</u> | <u>273,524</u> | <u>(136)</u> |
| Expenditures | | | | |
| Current | | | | |
| Legislative | 17,418 | 22,218 | 21,178 | 1,040 |
| General government | 161,567 | 167,467 | 233,591 | (66,124) |
| Public safety | 34,759 | 34,759 | 30,953 | 3,806 |
| Public works | 300 | 300 | 247 | 53 |
| Recreation and culture | 350 | 350 | 153 | 197 |
| Total expenditures | <u>214,394</u> | <u>225,094</u> | <u>286,122</u> | <u>(61,028)</u> |
| Revenues over (under) expenditures | <u>59,266</u> | <u>48,566</u> | <u>(12,598)</u> | <u>(61,164)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (20,749) | (20,749) | (20,749) | - |
| Total other financing sources (uses) | <u>(20,749)</u> | <u>(20,749)</u> | <u>(20,749)</u> | <u>-</u> |
| Net changes in fund balance | 38,517 | 27,817 | (33,347) | (61,164) |
| Fund balance, beginning of year | <u>217,878</u> | <u>217,878</u> | <u>217,878</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 256,395</u> | <u>\$ 245,695</u> | <u>\$ 184,531</u> | <u>\$ (61,164)</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP

LIBRARY FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

| | Budget Amounts | | Actual Amount | Variance Positive Positive (Negative) |
|--|-------------------|------------------|------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenues | \$ 1,000 | \$ 1,000 | \$ 2,305 | \$ 1,305 |
| Penal fines and charges | 18,000 | 18,000 | 17,097 | (903) |
| Contributions and grants | 1,000 | 1,000 | 2,000 | 1,000 |
| Interest | - | - | 3,611 | 3,611 |
| Miscellaneous | 300 | 300 | 5,219 | 4,919 |
| Total Revenues | <u>20,300</u> | <u>20,300</u> | <u>30,232</u> | <u>9,932</u> |
| Expenditures | | | | |
| Current | | | | |
| Recreation and culture | | | | |
| Library | 38,050 | 39,550 | 35,747 | 3,803 |
| Capital outlay | 900 | 112,800 | 118,720 | (5,920) |
| Total expenditures | <u>38,950</u> | <u>152,350</u> | <u>154,467</u> | <u>(2,117)</u> |
| Revenues over (under) expenditures | (18,650) | (132,050) | (124,235) | 7,815 |
| Other financing sources | | | | |
| Transfers in | 18,650 | 18,650 | 18,650 | - |
| Net changes in fund balance | - | (113,400) | (105,585) | 7,815 |
| Fund balance, beginning of year | <u>138,939</u> | <u>138,939</u> | <u>138,939</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 138,939</u> | <u>\$ 25,539</u> | <u>\$ 33,354</u> | <u>\$ 7,815</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP
ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-----------------------|------------------|------------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amount</u> | <u>Positive</u> <u>(Negative)</u> |
| Revenues | | | | |
| Property taxes | \$ 230,678 | \$ 230,678 | \$ 232,699 | \$ 2,021 |
| Interest | 1,200 | 1,200 | 2,326 | 1,126 |
| Miscellaneous | - | - | 3,519 | 3,519 |
| Total Revenues | <u>231,878</u> | <u>231,878</u> | <u>238,544</u> | <u>6,666</u> |
| Expenditures | | | | |
| Current | | | | |
| Public Works | | | | |
| Roads | <u>67,978</u> | <u>67,978</u> | <u>34,238</u> | <u>33,740</u> |
| Total expenditures | <u>67,978</u> | <u>67,978</u> | <u>34,238</u> | <u>33,740</u> |
| Revenues over (under) expenditures | 163,900 | 163,900 | 204,306 | 40,406 |
| Other financing sources | | | | |
| Transfers in | - | - | - | - |
| Net changes in fund balance | 163,900 | 163,900 | 204,306 | 40,406 |
| Fund balance (deficit), beginning of year | <u>(161,375)</u> | <u>(161,375)</u> | <u>(161,375)</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 2,525</u> | <u>\$ 2,525</u> | <u>\$ 42,931</u> | <u>\$ 40,406</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-----------------------|------------------|-----------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amount</u> | <u>Positive</u> <u>(Negative)</u> |
| Revenues | | | | |
| Property taxes | \$ 69,597 | \$ 69,597 | \$ 67,896 | \$ (1,701) |
| Contributions from local units | 22,000 | 22,000 | 21,403 | (597) |
| Interest | 350 | 350 | 4,438 | 4,088 |
| Miscellaneous | <u>2,500</u> | <u>2,500</u> | <u>3</u> | <u>(2,497)</u> |
| Total Revenues | <u>94,447</u> | <u>94,447</u> | <u>93,740</u> | <u>(707)</u> |
| Expenditures | | | | |
| Current | | | | |
| Public Safety | | | | |
| Fire department | 94,546 | 94,546 | 91,691 | 2,855 |
| Capital outlay | <u>2,000</u> | <u>2,000</u> | <u>9,039</u> | <u>(7,039)</u> |
| Total expenditures | <u>96,546</u> | <u>96,546</u> | <u>100,730</u> | <u>(4,184)</u> |
| Revenues over (under) expenditures | (2,099) | (2,099) | (6,990) | (4,891) |
| Other financing sources | | | | |
| Transfers in | <u>2,099</u> | <u>2,099</u> | <u>2,099</u> | <u>-</u> |
| Net changes in fund balance | - | - | (4,891) | (4,891) |
| Fund balance, beginning of year | <u>10,669</u> | <u>10,669</u> | <u>10,669</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 10,669</u> | <u>\$ 10,669</u> | <u>\$ 5,778</u> | <u>\$ (4,891)</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2008

| | Agency Fund |
|--------------------------|------------------------|
| Assets | |
| Cash | \$ 29,421 |
| Total assets | <u>\$ 29,421</u> |
| | |
| Liabilities | |
| Due to other governments | \$ 29,421 |
| Total Liabilities | <u>\$ 29,421</u> |

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Martin Township, Allegan County, Michigan (the "Township") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Martin Township. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Township had no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Library Fund* accounts for the operations of the Township library. This fund is primarily funded through penal fines and transfers from the general fund.

The *Road Fund* accounts for the revenues received from property taxes which are specifically earmarked for construction and maintenance of roads in the Township.

The *Fire Protection Fund* accounts for the revenues received from property taxes which are legally restricted for fire protection activities.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The Cemetery Permanent Fund accounts for the corpus of a trust fund for which only interest on the corpus may be expensed for cemetery maintenance.

Additionally, the Township reports the following fund types

The *Trust and Agency Funds* are used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. The Township maintains one agency fund.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due.

All Governmental Funds are accounted for on a spending or "flow of financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

Fiduciary Funds are accounted for using the accrual basis of accounting

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Township Clerk submits to the Township board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Township are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Township. Any amendment to the original budget must meet the requirements of Michigan Law. The Township did amend its budget for the year ended June 30, 2008. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Township utilized depository and savings accounts during the year.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 10-50 |
| Vehicles and equipment | 15-40 |
| Infrastructure | 40 |

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the Township reported *deferred revenue* for property taxes levied for 2008 as follows:

| | |
|----------------------|------------------|
| General fund | \$ 91,183 |
| Road fund | 270,911 |
| Fire protection fund | <u>73,626</u> |
| | <u>\$435,720</u> |

MARTIN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Property Taxes

The Township bills and collects its own property taxes which are levied December 1 and payable by February 15. The Township also collects taxes for other governmental units which are payable on July 1 and February 1. Property tax revenues are recognized as revenue in the year subsequent to the year in which they are levied.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Net Assts/Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Designations in the general fund at year end are for cemetery improvements.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Township carried commercial insurance to cover risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

MARTIN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the functional level. The approved budgets of the Township for these budgetary funds were adopted at the activity level. During the year ended June 30, 2008, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

| | <u>Budget</u> | <u>Actual</u> | <u>Variance (Unfavorable)</u> |
|------------------------------|---------------|---------------|-----------------------------------|
| General Fund | | | |
| General Government | | | |
| Supervisor activity | \$ 9,514 | \$ 9,564 | \$ (50) |
| Board of review activity | 958 | 1,080 | (122) |
| Assessor activity | 18,750 | 20,523 | (1,773) |
| Hall and grounds activity | 20,092 | 92,999 | (72,907) |
| Special Revenue Funds | | | |
| Library | | | |
| Capital outlay | 112,800 | 118,720 | (5,920) |
| Fire protection | | | |
| Capital outlay | 2,000 | 9,039 | (7,039) |

3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

| | <u>Governmental Activities</u> | <u>Fiduciary Activities</u> | <u>Total</u> |
|---------------------------|------------------------------------|---------------------------------|--------------|
| Cash and cash equivalents | \$660,464 | \$29,421 | \$689,885 |

These deposits are in one financial institution located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value.

Investment and deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. As of year-end, \$607,050 of the Township's bank balance of \$707,050 was exposed to custodial credit risk because it was uninsured and uncollateralized.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

| | <u>Balance July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2008</u> |
|--|---------------------------------|------------------|------------------|----------------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 48,100 | \$ 69,126 | \$ - | \$ 117,226 |
| Construction in Progress | - | - | - | - |
| Total capital assets, not being depreciated | 48,100 | 69,126 | - | 117,226 |
| Capital assets, being depreciated | | | | |
| Building and improvements | 376,008 | 107,538 | 37,000 | 446,546 |
| Equipment and vehicles | 795,721 | - | - | 795,721 |
| Infrastructure | 676,901 | - | - | 676,901 |
| Total capital assets, being depreciated | 1,848,630 | 107,538 | 37,000 | 1,919,168 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 149,506 | 5,586 | 37,000 | 118,092 |
| Equipment and vehicles | 180,882 | 31,812 | - | 212,694 |
| Infrastructure | 30,983 | 16,923 | - | 47,906 |
| Total accumulated depreciation | 361,371 | 54,321 | 37,000 | 378,692 |
| Net capital assets, being depreciated | 1,487,259 | 53,217 | - | 1,540,476 |
| Governmental Activities capital assets, net | \$1,535,359 | \$122,343 | \$ - | \$1,657,702 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|-----------------|
| Governmental Activities | |
| General government | \$ 5,586 |
| Public safety | 31,812 |
| Public works | 16,923 |
| Total depreciation expense - governmental activities | \$54,321 |

MARTIN TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2008 are as follows:

| <u>Transfers in by fund</u> | <u>Transfers out by fund</u> <u>General Fund</u> |
|-----------------------------|---|
| Library | \$18,650 |
| Fire protection | 2,099 |
| | <u>\$20,749</u> |

Transfers are used to subsidize the library and fire protection funds.

6. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The Township provides pension benefits for all its elected officials, librarian, and sextant through a defined contribution plan. The plan is a nontrustee plan, and the Township does not administer the plan assets. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigned the authority to establish and amend benefit provisions to the Township Board of trustees. Officials are eligible to participate from the date of election/employment and are fully vested immediately. The Township contributes 4.5% of salary yearly for each trustee and employee into the plan. The Township made the required contribution of \$4,713 during the year ended June 30, 2008.

INDIVIDUAL FUND SCHEDULES

MARTIN TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

| | Budget Amounts | | Actual Amount | Variance Positive (Negative) |
|----------------------------------|------------------------|---------------------|--------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 60,789 | \$ 60,789 | \$ 61,270 | \$ 481 |
| Intergovernmental revenues | | | | |
| State shared revenues | 150,500 | 150,500 | 148,728 | (1,772) |
| Total intergovernmental revenues | 150,500 | 150,500 | 148,728 | (1,772) |
| Fees and service charges | | | | |
| Tax collection | 20,221 | 20,221 | 19,727 | (494) |
| Building and zoning | 20,000 | 20,000 | 16,459 | (3,541) |
| Burial | 14,000 | 14,000 | 9,038 | (4,962) |
| Logging | - | - | 500 | 500 |
| Rental | 1,000 | 1,000 | 480 | (520) |
| Total fees and service charges | 55,221 | 55,221 | 46,204 | (9,017) |
| Interest | 2,500 | 2,500 | 5,890 | 3,390 |
| Miscellaneous | 4,650 | 4,650 | 11,432 | 6,782 |
| Total Revenues | \$ 273,660 | \$ 273,660 | \$ 273,524 | \$ (136) |

MARTIN TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

| | Budget Amounts | | Actual Amount | Variance Positive (Negative) |
|----------------------------|------------------------|---------------------|----------------------|-------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current | | | | |
| Legislative | | | | |
| Board | \$ 17,418 | \$ 22,218 | \$ 21,178 | \$ 1,040 |
| General government | | | | |
| Supervisor | 9,514 | 9,514 | 9,564 | (50) |
| Elections and registration | 3,700 | 3,700 | 2,616 | 1,084 |
| Clerk | 28,762 | 28,762 | 27,023 | 1,739 |
| Board of Review | 958 | 958 | 1,080 | (122) |
| Assessor | 18,750 | 18,750 | 20,523 | (1,773) |
| Treasurer | 21,108 | 21,108 | 19,528 | 1,580 |
| Hall and grounds | 16,992 | 20,092 | 92,999 | (72,907) |
| Cemetery | 36,649 | 36,649 | 32,888 | 3,761 |
| Other | 25,134 | 27,934 | 27,370 | 564 |
| Total general government | 161,567 | 167,467 | 233,591 | (66,124) |
| Public Safety | | | | |
| Ambulance | 6,000 | 6,000 | 6,000 | - |
| Zoning and planning | 28,759 | 28,759 | 24,953 | 3,806 |
| Total public safety | 34,759 | 34,759 | 30,953 | 3,806 |
| Public Works | | | | |
| Refuse and lighting | 300 | 300 | 247 | 53 |
| Recreation and culture | | | | |
| Parks | 350 | 350 | 153 | 197 |
| Total expenditures | \$ 214,394 | \$ 225,094 | \$ 286,122 | \$ (61,028) |



Vredeveld Haefner LLC

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Peter S. Haefner, CPA
(616) 460-9388

December 1, 2008

To the Township Board
Martin Township
Allegan County, Michigan

In planning and performing our audit of the financial statements of Martin Township, Allegan County, Michigan (the township) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be a material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiencies constitute material weaknesses.

1. New auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements in conformity with U.S. generally accepted accounting principles and that the auditor cannot be a part of those internal controls.

We noted that the Township was not recording entries necessary to prepare fund basis financial statements on the modified accrual basis of accounting or to prepare entity-wide financial statements on the accrual basis of accounting.

2. We noted that the Township was not reconciling bank account balances to the general ledger in a timely manner.

This communication is intended solely for the information and use of the Township Board and management of the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Vredeveld Haefner LLC